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Tobacco costs the Australian economy more than it's worth

Gains to be made in driving down tobacco use

A new report commissioned by the Cancer Council Western Australia debunks tobacco industry arguments that higher tobacco taxes will be detrimental to the Australian economy.

'Weighing the evidence: evaluating the social benefits and costs of the Australian tobacco industry' is the first independent analysis of economic arguments the tobacco industry has put forward in its defence over many decades.

Director of the Cancer Council Western Australia's Tobacco Program, Denise Sullivan said the report assessed the economic impact of both the tobacco industry and public health measures aimed at reducing tobacco use.

"The tobacco industry frequently employs economic scare tactics when policy-makers are considering measures for reducing demand for tobacco, such as increases in taxes on the sale of tobacco," Ms Sullivan said.

"This report provides the evidence that there would be few, if any negative economic consequences in further measures to curb tobacco consumption in Australia."

The report was produced by internationally renowned health economists, Professors David Collins and Helen Lapsley.

"Overall, the study found that the tobacco industry provides no net gains to the Australian economy, and that tobacco control measures do not cause economic harm," Professor Lapsley said.

"A fall in demand for tobacco, while significantly affecting the tobacco industry, will have very little, if any, negative economic impact. Indeed, it is possible that the overall impact would be mildly positive."

Professor Collins said the tobacco industry analyses of their contribution to the Australian economy were flawed.

"The industry fails to take into account healthcare costs imposed on the community for the treatment of illnesses caused by tobacco," he said.

The report has shown that the economic contribution of the tobacco industry is around \$1 billion a year, substantially less than the estimated social costs of smoking which is a staggering \$31 billion a year.

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“Clearly tobacco tax revenue paid by the tobacco industry itself does not cover the social costs of tobacco consumption,” Professor Collins said.

Professor Lapsley said the number of jobs dependent on the tobacco industry was also overstated.

“The figures put forward by the tobacco producers include jobs of those who sell materials to the industry as well as those at the retail level for whom only a fraction of their business depends on tobacco,” Professor Lapsley said.

“It also ignores the fact that money saved by quitting or reducing smoking will be spent on other goods and services, themselves generating employment and tax revenues.”

President of the Public Health Association of Australia (PHAA), Professor Mike Daube, said the report ended the last vestiges of credibility for the industry’s arguments about the economic contribution it made to Australia.

“Big tobacco has opposed increased taxes on its products on the basis of the economic harm this would cause. This report shows that the industry’s arguments, as so often, are misleading and based on self-interest.

“It’s time for taxes on tobacco to be increased. We have not had a significant tax increase on tobacco for at least ten years and are one of the lowest tobacco-taxing countries in the OECD.”

Professor Daube said that tax increases would have an important impact in reducing smoking among disadvantaged groups.

“Tax increases are the single most effective means of reducing smoking. When the price of tobacco goes up, we know that smokers from lower socio-economic groups are more likely to quit, improving both their health and their financial circumstances. We also know that there is strong public support for such increases.”

“This report gives the Federal Government a strong mandate for a significant tobacco tax increase, which will also enable them to spend more money on public health, including further action to reduce smoking, which still kills one in two regular smokers,” Professor Daube said.

“The only people with anything to lose with this strategy are the tobacco companies themselves.”

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